January 1985

fuel oil news

The Largest Circulation Magazine of Oil Heating & Petroleum Handling

OIL HEATING EQUIPMENT: THE MAGIC IS BACK

fuel oil news

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Business, Advertising & Production Offices:
950 Lee St.
Des Plaines, IL 60016
(312) 296-0770

Executive Staff:
Albert Joseph
President
Robert E. Yarbrough Jr.
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Business Manager
Janelle Joseph
Manager of Marketing Services
Dorothy Paprocki
Marketing Services Assistant

Editorial Offices:
P.O. Box 360
(Salem Park—Rt. 22E)
Whitehouse, NJ 08888
(201) 534-4156

George Schultz
Editor
Thomas R. Byrley
Editor Emeritus
Omer Henry
Field Editor
Joel E. Davis
Contributing Editor
John O. Foland
Truck Editor

Affiliated Editorial Staff Hunter Energy Network:

Marvin Reid, Editor
National Petroleum News
J. Richard Shaner
Executive Editor, NPN
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Cover:
Success in the home heating business is no magic act—it just takes an aggressive, concerted effort to sell modern, efficient equipment. The products are available, but unless the industry sells them, they're going to waste. The Centennial of oil heat is upon us—a wonderful opportunity to promote the benefits of oil heat. Let's take advantage of it.

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BPA

The Oil Heat Industry — 1984

Part II of our Seventh Annual Profile Of Marketers

By George Schultz, Editor

Last month we presented Part I of our seventh annual study of the oil heating industry. As we noted, we asked quite a few additional questions this year, resulting in more statistics than previous studies. Hence we are presenting Part II herewith, covering the retrofit market, issues affecting the marketing community, management practices and C-store and gasoline marketing.

Under what conditions do dealers recommend to their customers replacement of the heating system? Table 25 indicates the percentage of dealers who chose the listed conditions as cause for recommending replacement. Heading the list this year is a leaky boiler, which moves up from third place last year. A furnace or boiler which gives continuous problems remains number two on the list, and a system which is old and inefficient drops down to third. The relative standings on a region-by-region basis fluctuates somewhat, but generally holds true for all areas of the country.

Table 26 indicates the percentage of dealers who make brand recommendations to customers, and the percentage of customers who follow those recommendations. Almost 70% of the marketers tell their customers to install a Burnham boiler or Beckett burner or some other specific brand of equipment and 80% of those recommendations are followed. That's a strong argument for manufacturers to court the marketer segment of the industry.

What influences marketer brand selection is detailed in Table 27. Combustion efficiency is the most important factor according to our panel, with 64.9% of those responding giving this the top prior-

Table 26
Brand Name Specifications
(Percentage of dealers who recommend equipment replacements by brand)

	% Recommend Brand Name	% of Customers Following Recommendations
New England	85.5%	81.3%
Mid-Atlantic	75.0	91.1
South	33.3	83.3
Midwest	82.5	66.8
West	90.0	88.5
All Sections	69.3%	80.2%

Table 25
Percent Recommending Furnace/Boiler Replacement Under Following Conditions

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Boiler leaks	96.0	85.5	75.0	67.9	72.7	75.2
Furnace/boiler gives continuous problems	88.3	90.1	50.0	78.9	45.4	82.3
Operating with no problems, but old & inefficient	83.8%	72.7%	25.0%	52.6%	54.5%	57.6%
Furnace emits fumes	48.8	47.3	50.0	52.6	54.5	50.8
Furnace/boiler breaks down	50.0	52.7	50.0	36.8	27.3	43.4
Furnace/boiler is inefficient (but not necessarily old)	43.3	47.3	25.0	21.1	45.4	38.4
Homeowner objects to heating bills	46.7	47.3	25.0	21.1	36.4	35.3
Homeowner threatens to convert to another fuel	26.7	30.9	*	26.3	45.4	23.9
Less than .1%						

Table 27
Percent Indicating Major Factor in Brand Selection

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Combustion efficiency	63.2%	58.6%	N.R.	68.7%	76.2%	64.9%
Quality of construction	64.7	69.0	N.R.	77.8	38.1	60.7
Low incidence of service requirements	22.8	20.6	N.R.	22.2	33.3	24.7
Ease of service	21.7	13.8	N.R.	16.8	*	14.7
Low retail price	6.8	10.3	N.R.	*	23.8	10.1
Durability	8.4	6.2	N.R.	7.3	4.8	6.7
Long warranty	11.8	3.1	N.R.	*	4.8	4.8
Compactness	4.7	3.1	N.R.	*	9.5	4.3
Quietness	4.7	*	N.R.	7.4	*	3.0
High markup opportunity	*	3.1	N.R.	*	*	1.8
Less than .1%						
N.R.—Not Reported						

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	32.3	35.5	21.0	8.1
Mid-Atlantic	35.6	35.6	20.3	8.5
South	50.0	28.6	14.3	*
Midwest	25.0	40.0	25.0	10.4
West	*	44.4	33.3	22.2
All Sectors	28.6	36.8	22.8	9.8

*Less than .1%

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	10.7	30.4	26.8	32.1
Mid-Atlantic	3.4	28.8	23.7	32.2
South	*	21.4	35.7	28.6
Midwest	6.3	12.5	47.9	27.1
West	11.1	22.2	22.2	33.3
All Sectors	6.3	23.1	31.3	30.7

*Less than .1%

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	16.1	19.4	37.1	27.4
Mid-Atlantic	11.9	32.2	15.3	35.6
South	42.9	21.4	21.4	7.1
Midwest	22.9	31.3	29.2	14.6
West	16.7	27.8	22.2	16.7
All Sectors	22.1	26.4	25.1	20.3

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	19.2	30.8	30.8	19.2
Mid-Atlantic	3.4	22.0	42.4	20.3
South	14.3	14.3	35.7	21.4
Midwest	8.3	33.3	27.1	20.8
West	5.6	33.3	22.2	22.2
All Sectors	10.2	26.7	31.6	20.8

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	28.8	35.6	25.4	10.2
Mid-Atlantic	18.6	15.3	33.9	27.1
South	42.9	28.6	21.4	7.1
Midwest	41.7	31.3	18.8	4.2
West	44.4	33.3	16.7	5.6
All Sectors	35.3	28.8	23.2	10.8

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	32.8	39.1	18.8	9.4
Mid-Atlantic	35.6	42.4	16.9	3.4
South	21.4	50.0	14.3	7.1
Midwest	22.9	33.3	27.1	10.4
West	5.5	44.4	*	27.8
All Sectors	23.6	41.8	15.4	11.6

*Less than .1

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	31.0	34.5	24.1	10.3
Mid-Atlantic	22.0	35.6	30.5	5.1
South	35.7	42.9	7.1	*
Midwest	35.4	33.3	22.9	2.1
West	22.2	55.6	5.6	5.6
All Sectors	29.3	40.4	18.0	4.6

*Less than .1%

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	23.3	30.0	31.7	15.0
Mid-Atlantic	27.1	30.5	20.3	16.9
South	35.7	7.1	21.4	35.7
Midwest	35.4	25.0	18.8	20.8
West	50.0	11.1	11.1	16.7
All Sectors	34.3	20.7	20.7	21.0

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	36.2	41.4	19.0	3.4
Mid-Atlantic	25.4	37.3	32.2	*
South	42.9	35.7	14.3	*
Midwest	37.5	43.8	16.7	2.1
West	44.4	33.3	11.1	*
All Sectors	37.3	38.3	18.7	1.1

*Less than .1%

Issues Affecting the Industry
(Percent Indicating Importance)

	Critical	Very Important	Important	Not Important
New England	9.4	28.3	37.7	24.5
Mid-Atlantic	6.8	13.6	32.2	32.2
South	7.1	21.4	42.9	7.1
Midwest	10.4	31.3	35.4	10.4
West	11.1	27.8	38.9	5.6
All Sectors	9.0	24.5	37.4	16.0

New England	13.3%
Mid-Atlantic	13.6
South	23.0
Midwest	*
West	*
All Sections	*10.0%*

*Less than .1%

New England	4.5
Mid-Atlantic	9.2
South	4.5
Midwest	5.3
West	4.0
All Sectors	5.5

Average Gasoline Volume Per Station
(Percent Reporting Such Capability)

	Less than 50,000/ Month	50-75,000/ Mo.	75-100,000/ Mo.	100-125,000/ Mo.	125-150,000/ Mo.
New England	57.1	28.6	14.3	*	*
Mid-Atlantic	77.1	11.1	11.1	*	*
South	60.0	20.0	*	10.0	10.0
Midwest	60.6	27.3	9.1	3.0	*
West	85.7	14.3	*	*	*
All Sectors	68.1	20.3	6.9	2.6	2.0

*Less than .1%

Services Offered at Retail Outlets
(Percent Reporting Such Operations)

	Check Cashing	Auto Service	Deli	TBA	Lottery Tickets	Beer Wine	Bakery Goods	Canned Goods	Cigarettes Soda
New England	55.6	88.9	11.1	88.9	22.2	33.3	33.3	44.4	66.7
Mid-Atlantic	11.1	55.6	44.4	22.2	*	11.1	11.1	33.3	66.7
South	44.4	55.6	55.6	44.4	*	77.8	55.6	77.8	77.8
Midwest	66.7	54.5	30.3	54.6	*	30.3	30.3	36.4	69.7
West	*	28.6	14.3	14.3	*	14.3	14.3	14.3	14.3
All Sectors	35.6	56.6	31.1	44.9	4.4	33.4	28.9	41.2	69.0

*Less than .1%

Trend in Retail Outlets
In Past Two Years
(Percent Reporting Following Situations)

	Increased 5-10 Outlets	Increased More than 10 Outlets	Same No. of Outlets
New England	*	22.2	77.8
Mid-Atlantic	33.3	*	66.7
South	10.0	*	90.0
Midwest	14.8	3.7	66.7
West	28.6	*	14.3
All Sectors	17.3	5.2	63.1

*Less than .1%

Industry Publication Most Helpful to Dealers
In Operating Their Fuel Oil Business.
(percent reporting)

	New England	Mid-Atlantic	South	Midwest	West	All Sections
Fuel Oil News	89.3%	83.1%	92.3%	62.5%	66.7%	78.8%
Nat'l. Petroleum News	21.3	16.9	38.5	35.7	22.2	26.9
Fuelol & Oil Heat	46.0	45.1	7.7	16.1	11.1	25.6
Oil Express	2.7	2.8	23.1	12.5	22.2	12.7
Petroleum Equipment	6.7	8.5	30.8	12.5	*	11.7
Other	14.7	11.3	15.4	8.9	*	10.1
Pet. Mktg. Mgmt.	2.7	11.3	7.7	10.7	16.7	9.8
Petroleum Marketer	4.0	5.6	7.7	8.9	11.1	7.5
Oil Daily	6.7	*	7.7	14.3	*	5.7
Contractor	4.0	11.3	7.7	*	56	4.2
Platt's Oilgram	1.3	2.8	15.4	1.8	*	2.7
The Lundberg Letter	2.7	*	7.7	1.8	*	2.4
Snips	*	1.4	*	*	*	0.3

*Less than .1%

	Critical	Very Important	Important	Not Important
New England	10.7	25.0	30.4	33.9
Mid-Atlantic	13.6	13.6	35.6	25.4
South	14.3	42.9	28.6	*
Midwest	18.8	25.0	41.7	10.4
West	11.1	16.7	33.3	16.7
All Sectors	13.7	24.6	33.9	17.3

*Less than .1%

	Corporation	Sub-chapter Corp	Proprietorship
New England	73.0	7.9	19.0
Mid-Atlantic	68.9	4.9	26.2
South	92.3	7.7	*
Midwest	71.2	9.6	19.2
West	86.7	*	13.3
All Sectors	78.4	6.0	15.5

*Less than.1%

ity. Quality of construction is also very important, as is low incidence of service requirements. The other factors, while important, are not quite as critical in deciding on what brands to market.

Tables 28A through 28K provide responses from our panel on a variety of issues they face in operating their businesses. The ability to increase sales seems to be critical to the greatest percentage, followed closely by high interest rates and competition from utilities. Of least importance seems to be reducing the number of suppliers. Of course, it is interesting to note the regional differences on the various questions. Local conditions dictate what is important to a businessman.

This series of questions is new this year and it should also be pointed out that although our respondents differed in their concerns, the least important issue was still of some importance to almost 70% of those polled.

The vast majority of reporting companies are corporations, according to Table 29. The next largest group is proprietorships, followed by Subchapter-S corporations. Relatively few were trusts (not enough to compute), and a few others were partnerships.

For accounting purposes, goods are computed on a Last In-First Out basis by more marketers than other methods of fixed asset management. Replacement Cost is the second most popular, and Weighted Average is the least popular. These methods differ regionally. For example, New England and Mid-Atlantic marketers prefer Replacement Cost accounting. The details are in Table 30.

Table 31 shows the percentage of marketers which use the two accepted value exchange methods. Nationally, including value exchange net balances in inventory has the edge over including it as a purchase and sale, but again, this differs regionally.

Energy futures trading is a question we've asked for four years now, and the percentage of dealers involved in the Merc has grown on each survey. This year, 10% nationally have traded energy futures, up from 7.8% last year. The Midwest lost some traders, due mainly to the fact that the Chicago Board of Trade, which has traded in No. 2 oil, dropped that commodity. See Table 32.

Because of the evolution of the oil heating dealer into a petroleum marketer, we decided this year to ask some questions about gasoline and C-store outlets.

Table 33 shows the average number of retail gasoline outlets *by those dealers who market gasoline*. Table 34 gives the average gasoline volume per station. Note that Mid-Atlantic marketers have the largest number of retail outlets, although the vast majority of these stations pump less than 50,000 gallons per month.

Table 35 gives a perspective of the types of services offered at these outlets, including C-store merchandise, auto service, TBA, etc.

The number of outlets dealers are operating hasn't changed much in the past two years, with 63.1% marketers saying that the number of outlets operated has been steady. About 17% said they have increased the number of retail outlets by between five and ten, and 5.2% said they've opened more than 10 new outlets. See Table 36

New York City's Mayor Ed Koch is fond of asking the question "How'm I doing?" when dealing with the media, and we couldn't resist the urge to ask our sample something similar. Specifically, we asked what industry publications are most helpful to them in operating their oil heating business. We were gratified to discover that the overwhelming majority feel that *Fuel Oil News* is the most helpful and provides us with the impetus to continue to provide the kind of editorial coverage that will help dealers maintain their viability in the marketplace.

Table 37 shows the percentage of dealers who find the listed publications most helpful. Our sister publication, *National Petroleum News*, came in second, we are happy to say.

Well, that's it. We hope that the range of statistics presented here will assist the various segments of the oil heating industry and its suppliers in a profitable and successful 1985. ■

	Weighted Average	LIFO	FIFO	Replacement Cost	Standard Cost
New England	12.9	16.1	11.3	38.7	21.0
Mid-Atlantic	20.3	20.3	15.3	25.4	18.6
South	8.3	41.7	16.7	25.0	8.3
Midwest	10.4	43.8	12.5	12.5	20.8
West	*	30.8	23.1	23.1	23.1
All Sections	10.4	30.5	15.8	24.9	18.4

*Less than .1%

	Include Net Balance in Inventory	Include As Purchase & sale
New England	51.8	48.5
Mid-Atlantic	35.3	64.7
South	80.0	20.0
Midwest	60.7	39.3
West	37.5	62.5
All Sectors	53.0	47.0